

## **REQUEST FOR INFORMATION**

### **STATE BAR OF CALIFORNIA SPONSORED LIFE INSURANCE PROGRAMS**

This is a Request for Information (“RFI”) from carriers interested in becoming the carrier for the Sponsored Member Life Insurance Program of the State Bar of California (“Program”). We are also contemporaneously publishing an RFI seeking responses from brokers for the Program. We would welcome a joint response from a carrier and broker.

#### **I. INTRODUCTION**

The State Bar of California is seeking indications of interest from life insurance companies interested in serving as the Sponsored insurer for its more than 180,000 members – consisting of all the lawyers authorized to practice law in California. Approximately 140,000 of the members are actively practicing law within California, with the balance in other occupations, practicing law outside of California, or retired. Approximately 4,500 new members are added to the State Bar’s rolls each year.

For over 40 years, the State Bar’s Committee on Group Insurance Programs (the “Committee”) has had a Sponsored Member Life Insurance Program for State Bar members and their families. Currently there is \$11.2 million premium in force, policy volume totals \$1.4 billion and there is a Total Reserve Fund of \$70 million associated with the program. Additional information on the current program is set out in Section IV below.

The State Bar is looking to put in place a highly competitive and flexible Life Program that would meet the changing needs of its membership during various stages of their careers and lives. The Committee seeks to provide products offering advantages to the members, their families not generally available on “street products” that members could easily purchase as individuals on their own, through agents and brokers, direct channels, or via the Internet.

The Committee is seeking to encourage innovative approaches by qualified carriers to meet the Committee’s objectives for the Sponsored Member Life Insurance Program. After a review of the Program by two leading actuarial consulting firms, the Committee decided to seek and consider alternatives beyond those initially offered by the incumbent carrier, American General and the incumbent broker, Acordia Insurance Services. We would welcome a joint response from a carrier and broker.

As the State Bar is a constitutional agency established as a public corporation in the judicial branch of California’s state government, the process of selecting a carrier is necessarily subject to various formalities. The State Bar of California will not be awarding a contract as a result of this RFI, although the Committee and State Bar staff intend to work with interested and qualified carriers to facilitate the RFI / RFP process.

The following pages list a series of questions, designed to help the Committee understand your organization's capability and willingness to provide a group life insurance program that meets the State Bar's objectives. Based on the responses to these questions, a more select group of carriers will be targeted with respect to a formal request for proposal.

## II. SUBMISSION REQUIREMENTS

The submission requirements for the RFI are detailed below. Please submit two (2) copies of your response to the address listed in Section V below. Please clearly mark your response as REQUEST FOR INFORMATION – STATE BAR SPONSORED LIFE INSURANCE PROGRAM. All information presented by the State Bar in this RFI, including information that is subsequently disclosed by the State Bar, should be considered strictly confidential. Information should not be released to external parties without the written consent of the State Bar of California.

Responses to the RFI must contain the following information:

1. A brief statement as to whether your company has successfully offered life insurance plans to other associations, organizations, companies, groups and/or governmental units where the target market consists of highly qualified professionals. If your company is serving as the carrier for such plans, a brief description of the most relevant programs, and a brief summary of such programs' experience would be particularly helpful.
2. The most recent ratings of your company (and its parent, if any) from such agencies as A.M. Best, Standard & Poor's, Moody's, Weiss, etc.
3. Responses to the points in Section III of this RFI. Although it is not required that you address every point, as the responses will assist the Committee to determine the level of carrier interest, we encourage you to at least briefly address each item.

## III. QUESTIONNAIRE

The purpose of these questions is to assist the Committee to determine if your company is likely to be willing and able to put together, on its own, or in partnership with other carriers, brokers and/or administrators, the type of flexible program that the Committee envisions could best serve the needs of members and the State Bar. We would also welcome any other information and suggestions you may choose to provide.

1. Are you primarily interested in offering new products to members and their families going forward, taking over all or some portions of the existing block of business as described in IV below (if just portions, please indicate which portions), or doing both a take-over of the old block of business and issuing new business to members of the State Bar going forward?

2. The State Bar is interested in distribution alternatives that go beyond the current direct response mail approach. Please briefly describe your company's ability to offer, underwrite, issue and/or service products using multiple techniques, including use of the Internet.
3. We understand that successful Association sponsored life program generally offer substantial pricing advantages to members over "street products", with the traditionally high first year commission structure traditionally a part of individual life pricing. What approach do you use in pricing association products, and what has been your experience in terms of expense charges between individual and group?
4. Does your company's experience show that significantly lowered commissions for marketing and sales can be built into term products, and thus produce lower premiums, and yet produce a successful term life program? Do you currently offer any so-called "no-load" or "low-load" term products?
5. Is your company willing to separate out charges for marketing and other services to facilitate measurement of the success of marketing efforts based on costs per paid for policy? Is your firm willing to handle expense charges based on a cost accounting of the services provided, rather than a formula basis?
6. The State Bar is very interested in providing members with term life products that provide longer periods of guaranteed premiums than the current 1 year guarantee built into the 10 year term product. Please provide an indication of whether you would be prepared to offer, in an association group setting, guarantee periods of 10-year, 20-year and/or 30-year term products.
7. Are there any special features you are prepared to include, as part of the basic offering, or as options, that would make our Association sponsored products significantly more attractive than "street products"?
8. For many years gross premiums for the Annual Renewable Term product have received a term premium credit that provides a discount -- currently 35% -- because of the presence of a substantial Contingency Reserve. The decision to continue the term premium credit/discount is made annually. For marketing purposes, it appears the term premium credit/discount is often perceived as only a temporary benefit. If your company would be interested in taking over the existing block of business, what is your philosophy with respect to lowering gross premiums when such discounts become so large?
9. What mortality trends do you foresee (particularly among California attorneys) in the next 5 to 20 years?

10. What is the likely impact of the proposed new mortality tables (2001 CSO) on the program?
11. What are your Company's basic underwriting criteria for association group life? How appropriate do you think it would be to offer some level of guaranteed or simplified issue to new members and simplified underwriting to existing members?
12. The State Bar is going through the same RFI /RFP process for its broker / administrator as it is for its carrier. Joint submissions between a carrier and a broker / administrator that have established a successful working relationship would be welcome. Would you be willing to work with the State Bar itself, or a State Bar affiliate, should the State Bar elect to internalize some of the marketing/administrative functions heretofore prepared by the broker / administrator, such as marketing communications, new business administration, and/or customer service functions?

#### IV. CURRENT PROGRAM

- A. Outline of Life Products
  1. Annual Renewable Term (typical association sponsored GL)
  2. Ten-Year Term – Issue age rated; premiums level for ten years, but subject to annual increase by carrier
  3. Universal Life – flexible-premium adjustable-benefit
  4. Optional Riders
    - a. Dependent Children (\$5,000 benefit)
    - b. AD&D
    - c. Premium Waiver for disability
    - d. Terminal Illness
- B. Premium In Force totals \$11,200,000 including all life products.
- C. Total Reserves
  1. Plan Liabilities \$25 million
  2. Contingency Reserve Fund \$45 million

#### V. RFI RESPONSE PROCESS

- A. **DEADLINE: RESPONSES TO THIS RFI ARE DUE BY MAY 30, 2003.** At that time, the Life Program Subcommittee of the Committee on Group Insurance Programs, in conjunction with State Bar staff, will review the responses and present them to the full Committee.

B. ADDRESS: Please send your response to:  
Cheryl Nishimura, Administrative Assistant  
The State Bar of California  
180 Howard Street  
San Francisco, CA 94105  
415-538-2201  
Cheryl.Nishimura@calbar.ca.gov

C. Disposition of Materials

Materials submitted in response to this RFI will be retained by the State Bar of California. Unless otherwise required by law, the State Bar will treat as confidential those confidential materials clearly marked as such.